

Date: MAY 15 1975

Employer Identification Number:

52-6104633

Form Number:

1099

Tax Year:

1974

► Trustees of Voluntary Investment Plan  
1815 N. Lynn St., Room 212  
Arlington, VA 22209

Gentlemen:

We are processing, as submitted, your shipment of information documents for the tax year indicated above. We find, however, that they were not filed in accordance with the instructions checked below:

- ☐ Documents without taxpayer identifying numbers were mixed with documents with taxpayer identifying numbers. These documents must be shipped under separate Forms W-3 or 1096.
- ☒ Documents were not burst or stripped. Information documents filed with the Internal Revenue Service must be burst and stripped to the size of a single form.
- ☐ Your complete name, address, and taxpayer identifying number do not appear as required on all the forms you filed. By law, the Internal Revenue Service may charge a penalty for each failure to include an identifying number on any form required to be filed, although no penalties are being charged in this instance.
- ☐ The payee's or recipient's complete name, address, and taxpayer identifying number do not appear as required on all the forms you filed. For each omission of a required identifying number, the law provides that the Internal Revenue Service may charge a \$5 penalty, unless the payer or payee responsible for furnishing the number supplies an explanation that establishes reasonable cause for not having done so. In this instance, no penalties are being charged.

Instructions for preparing and filing wage and information documents appear in Circular E, in the instructions for Forms 1096 and W-3, and in the latest Revenue Procedures, obtainable free at any Internal Revenue Service office. Although we will process the forms you sent us this year, you must follow these procedures when you file information documents next year.

Thank you for your cooperation.

Sincerely yours,

S. G. Penick

Chief, Taxpayer Assistance Section

Internal Revenue Service, Memphis, Tenn. 38110

Form RSC-586 (Rev. 2-75)

Statement for Recipients of  
Lump-Sum Distributions  
from Profit-Sharing  
and Retirement Plans**1974**  
Copy A  
For Internal  
Revenue Service Center

Type or print PAYER'S Federal identifying number, name, address and ZIP code above.

Distributions (computed without regard to a survivor's death benefit exclusion)—amounts to be treated as:		Excludable Amounts	
1 Amount includible as income (Add columns 2, 3, and 4)	2 Capital gain (For total distributions only)	3 Ordinary income	4 Premiums paid by trust for current life insurance
			5 Employee contributions
			6 Life insurance element
RECIPIENT'S identifying number ▶			Tax Deferred Amounts
			Other
			7 Net unrealized appreciation in employer's securities
			8
This is <input type="checkbox"/> or is not <input type="checkbox"/> a total distribution.			
Death benefit exclusion does <input type="checkbox"/> or does not <input type="checkbox"/> apply.			
See Form W-3 for instructions.			
If this is a corrected form, put an "X" to the right of the number in the upper left corner.			
Type or print RECIPIENT'S name, address and ZIP code above.			

Form 1099R

☆ GPO: 1974-548-223 E.I.-22-1766474

Department of the Treasury—Internal Revenue Service

V/P

(November 1974)

Department of the Treasury  
Internal Revenue Service

tion, profit-sharing, and stock bonus plans, and instructions for preparing your 1974 Forms 1099R.

## Important Information About Changes in the Preparation of Forms W-2, 1099R, W-3, and 1096 for 1974

### Form W-2, Wage and Tax Statement

You do not need to fill in the two boxes captioned "Was employee covered by a qualified pension plan, etc.?" and "Contribution to individual employee retirement account." These boxes were provided because pension legislation, pending when the form was printed, would have required this information to be reported for the tax year 1974. However, when the legislation became law, only the first box mentioned above was determined to be necessary and the effective date for reporting this information is tax year 1975.

The recordkeeping requirements and information you need to compute the amounts excludable from income as sick pay for 1974 follow:

In reporting wages for Federal income tax purposes, employees may exclude certain payments the employer makes under a wage continuation plan for periods they were absent from work because of personal injury or sickness.

If both the employee and the employer contribute to the plan, any benefits attributable to the employee's contributions are excludable without limit, but there are certain limitations on the exclusion of the benefits attributable to the employer's contributions.

To figure an employee's sick pay exclusion, you must first determine whether the weekly sick pay rate is more than 75 percent of his regular weekly wage rate.

1. If over 75 percent—The employee must be absent from work because of illness or injury for 30 calendar days before he qualifies for the exclusion. The exclusion thereafter may not exceed \$100 a week.

2. If 75 percent or less—The employee must be absent for 7 calendar days before he qualifies for the exclusion, but the exclusion is limited to an amount computed at a regular weekly

rate not to exceed \$75. The waiting period applies to absences due to both illness and injury unless the employee is hospitalized at least one day during his absence. After 30 calendar days, the allowable weekly exclusion increases to an amount not to exceed \$100.

You are not required to withhold income tax from excludable sick pay provided your records show the amount of each payment; the excludable portion of it, and any other information you reasonably believe establishes the employee's right to the exclusion.

You must include all such payments in the "Wages, tips, and other compensation" box on Form W-2. However, if you maintain the above records, you may also show excludable sick pay on Form W-2 as a separate item, regardless of whether you withheld income tax from it.

### Form 1099R, Statement for Recipients of Lump-Sum Distributions From Profit-Sharing and Retirement Plans

This will give you information on new rules for determining capital gain and ordinary income portions of lump-sum distributions from qualified pen-

In general, the new rules provide that the portion of a lump-sum distribution attributable to active participation in a plan before 1974 is to receive capital gains treatment, while the portion attributable to active participation after 1973 is taxed as ordinary income under a special 10-year averaging method.

The Employee Retirement Income Security Act of 1974, Public Law 93-406, enacted on September 2, 1974, provides these new rules for distributions made in taxable years of the recipient beginning after 1973.

Form 1099R and its instructions, which appear on Form W-3, Transmittal of Income and Tax Statements, for 1974 were developed prior to enactment of the new legislation. Payers and employers should therefore follow the instructions below in preparing Forms 1099R:

1. Disregard first and last sentences of the instructions for box 2 and box 3 (on the 1974 Form W-3).

2. Aggregate all like plans and all qualified trusts under a plan before you compute the lump-sum distribution. For example, if an employee is covered under more than one profit-sharing plan of the employer, the balance to the credit of the employee under each plan must be aggregated in order to qualify as a lump-sum distribution. However, compute the capital gain and ordinary income elements separately for each such plan. Then combine the elements from the plans and furnish the results to the employee.

3. Figure the capital gain and ordinary income amounts for the lump-sum distribution as follows:

#### Step I: Total Taxable Amount

Total Distribution		XXXXX
Less: 1. Current actuarial value of any annuity		XXXXX
2. Employee contributions (less any amounts previously distributed which were not includible in the employee's gross income) multiplied by a fraction the numerator of which is the value of all property distributed (including cash but excluding current actuarial value of any annuity contract), and the denominator of which is the sum of the current actuarial value of any annuity contract distributed and the value of all other property distributed including cash		XXXXX
3. Net unrealized appreciation in the value of any employer securities which were a part of the lump-sum distribution		XXXXX XXXXX
Total Taxable Amount		XXXXX

#### Step II: Capital Gain

$$\text{Total Taxable Amount (from Step I)} \times \frac{\text{Months of Active Participation Before 1974}}{\text{Total Months of Active Participation}} = \text{Capital Gain}$$

#### Step III: Ordinary Income

$$\text{Total Taxable Amount (from Step I)} \times \frac{\text{Months of Active Participation After 1973}}{\text{Total Months of Active Participation}} = \text{Ordinary Income}$$

When you compute the numerator of an employee's active participation before 1974, count as 12 months any part of a calendar year in which an employee actively participated under the plan; for active participation after 1973, count as one month any part of a month in which the employee actively participated under the plan.

The number of months of active participation begins with the first month in which an employee became a participant under the plan and ends with the earliest of—

(a) The month in which the employee received a lump-sum distribution under the plan;

(b) The month in which he separates from the service;

(c) The month in which he dies, or

(d) For an employee within the meaning of section 401(c)(1) of the Internal Revenue Code, the first month in which he becomes disabled (within the meaning of section 72(m)(7) of the Code).

4. To determine the value of an annuity contract (box 8 of Form 1099R), show the value as an amount equal to the current actuarial value of the annuity contract, reduced by an amount arrived at by multiplying employee contributions (less any amounts previously distributed which were not includible in the employee's gross income) by a fraction the numerator of which is the cur-

tract and the denominator of which is the sum of the current actuarial value and the value of all other property distributed including cash.

If you are a payer who cannot provide the information required on Form 1099R, report to the IRS only the gross amount in box 1.

(Employers must provide the information required on Form 1099R to employees (recipients) if the payers are unable to do so.)

If you are a payer or employer who has already issued Forms 1099R for 1974 under the old instructions, please issue CORRECTED forms, and so mark them, with the above computations.

Please advise recipients of Form 1099R that they may be entitled to use the special 10-year averaging method when they compute their tax on the ordinary income portion of their lump-sum distribution; and, that if the recipients wish to use this method, they must compute their tax on the ordinary income portion for 1974 on Form 4972, Special 10-Year Averaging Method.

The new rules do not apply to fiscal year taxpayers who receive lump-sum distributions during 1974 in their taxable year which began in 1973. These taxpayers must use the prior rules to compute the capital gain and ordinary

the lump-sum distribution. Please advise these recipients that they may use the special 5 or 7 year averaging methods if they wish; then, these recipients must compute their tax on the 1973 version of Form 4972, Special Averaging Methods.

### Form W-3, Transmittal of Income and Tax Statements; Form 1096, Annual Summary and Transmittal of U.S. Information Returns

Please follow the instructions below to reduce the need for us to contact you.

1. Use only the official or substitute forms specified in the appropriate instructions (for example, the Revenue Procedures and the instructions on the forms).

2. Include all payer and payee information in each information document you prepare, to help you avoid possible penalty charges.

3. Send only Copy A of each information document to IRS. Separate each Copy A at perforations to make single forms without marginal strips.

4. Use a separate Form 1096 or W-3 (whichever is applicable) for each different type of form you transmit. Also use a separate Form 1096 or W-3 to send forms of recipients whose identifying numbers are missing.

W-3

## Transmittal of Income and Tax Statements

Form Approved For Release 2002/05/09 : CIA-RDP86-00895R000100140020-7  
Department of the Treasury  
Internal Revenue Service

magnetic tape or disk pack filers. See the revenue procedures that apply to magnetic tape or disk pack transmittal of returns.)

1974

Enter number of documents	Place an "X" in the proper box to identify type of document being transmitted			All documents are: Place an "X" in the proper boxes. (See Instructions.)			
	Form W-2	Form W-2P	Form 1099R	Original	Corrected	With taxpayer identifying number	Without taxpayer identifying number
PAYER'S identifying number ▶							
Type or print PAYER'S name, address and ZIP code above.							

Under penalties of perjury, I declare that I have examined this return, including accompanying documents and to the best of my knowledge and belief, it is true, correct, and complete. In the case of documents without recipients' identifying numbers, I have complied with the requirements of the law by requesting such numbers from the recipients, but did not receive them. I assume full responsibility for the accuracy of Forms W-2 that reflect excludable sick pay.

Signature \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

## DETACH AT THIS LINE

## Highlight

**Magnetic Tape and Disk Pack Reporting.**

We encourage employers and other payers with computer capability to use magnetic tape or disk pack for filing information returns. Many States and localities also accept information returns on magnetic tape or disk pack, and you may save money by using similar tapes or disks for filing with the Service and with State or local tax departments. Employers find tape or disk reporting allows economy, efficiency, and flexibility. Revenue Procedures on magnetic tape or disk pack reporting of information documents and unified wage reporting magnetic tape or disk pack format are available from most Internal Revenue offices.

**Instructions—Form W-3**

**A. Who Must File.**—Form W-3, Transmittal of Income and Tax Statements, must be filed by employers and other payers as a transmittal for, Form W-2, Wage and Tax Statement, Form W-2P, Statement for Recipients of Annuities, Pensions, or Retired Pay, Form 1099R, Statement for Recipients of Lump-Sum Distributions from Profit-Sharing and Retirement Plans, and Form W-3P, Annual Report by Certain Payers of Annuities and Lump-Sum Distributions.

**B. When to File.**—Form W-3 must be filed on or before February 28, 1975.

**C. Where to File.**

If your legal residence, principal place of business, office, or agency is located in

Use this address

New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Internal Revenue Service Center 1040 Waverly Avenue Holtville, N.Y. 11739
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Internal Revenue Service Center 310 Lowell Street Andover, Mass. 01812
District of Columbia, Delaware, Maryland, Pennsylvania	Internal Revenue Service Center 11601 Roosevelt Boulevard Philadelphia, Pa. 19155
Alabama, Florida, Georgia, Mississippi, South Carolina	Internal Revenue Service Center 4800 Buford Highway Atlanta, Ga. 30340

Michigan, Ohio	Internal Revenue Service Center Cincinnati, Ohio 45298
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Internal Revenue Service Center 3651 S. Interregional Hwy. Austin, Texas 78740
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Internal Revenue Service Center 1160 West 1200 South St. Ogden, Utah 84201
Illinois, Iowa, Missouri, Wisconsin	Internal Revenue Service Center 2306 E. Bannister Road Kansas City, Mo. 64170
California, Hawaii	Internal Revenue Service Center 5045 East Butler Avenue Fresno, California 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Internal Revenue Service Center 3131 Democrat Road Memphis, Tenn. 38110

If you have no legal residence or principal place of business in any Internal Revenue district, file with the Internal Revenue Service Center, 11601 Roosevelt Boulevard, Philadelphia, Pa. 19155.

**D. Payer's Identifying Number.**—Your payer's identification number is your Employer Identification Number.

**E. Shipping and Mailing.**—Employers and other payers filing on the official or substitute paper forms and using more than one type of form should group returns of the same type and forward them in separate groups. For example, a payer of both wages and annuities should file Forms W-2 with one Form W-3 and Forms W-2P with a second Form W-3. Also, file separately forms lacking taxpayer identifying numbers with a Form W-3, and certify that you requested but have not received the recipients' taxpayer identifying numbers.

If you have a large number of forms, you may send them in convenient-sized packages. Show your name and identifying number on each package, number them consecutively, and place Form W-3 in package number one. Show the number of packages at the top of Form W-3. If sent by mail, these forms and packages require first class postage.

**General Instructions for Forms W-2, W-2P, 1099R, and W-3P**

**A. Who Must File.**—The returns to be filed with Form W-3 and the payers re-

(1) Form W-2, Wage and Tax Statement, is to be filed by employers. (See Circulars A and E for detailed instructions.) However, if you file an Employer's Quarterly Tax Return for Household Employees, Form 942, use it as a transmittal for Form W-2.

(2) Form W-2P, Statement for Recipients of Annuities, Pensions, or Retired Pay, and Form 1099R, Statement for Recipients of Lump-Sum Distributions from Profit-Sharing and Retirement Plans, are to be filed by employees' trusts or funds; Federal, State, or local government retirement systems; life insurance companies; and other payers who are obligors responsible for making the reported payments. If an employer makes retirement plan contributions to an employees' trust, which, in turn, is responsible for payments to retirees and their beneficiaries, the trust and not the employer is the obligor responsible for submitting Forms W-2P and 1099R (and Form W-2 for the trust's own employees, if any). These forms should bear the trust's name, address, and employer identification number. (Of course, the trust may employ an agent or fiduciary to prepare and file the forms, while still maintaining its obligor responsibilities.) See paragraph D below. Similarly, a bank serving as fiduciary for an employees' trust or retirement fund and withholding income tax when requested by annuitants, would (if it prepares the Forms W-2P and 1099R) show the obligor trust's or fund's name, address, and employer identification number on the Forms W-2P and 1099R.

(3) Form W-3P, Annual Report by Certain Payers of Annuities and Lump-Sum Distributions, is to be filed by Federal, State and local government agencies or retirement systems making payments reportable on Forms W-2P and 1099R, and life insurance companies maintaining pension plan reserves described in Internal Revenue Code section 805(d)(1).

**B. When to File.**—Forms W-2, W-2P, 1099R, and W-3P must be filed on or before February 28, 1975, except by employers of household workers who should attach Forms W-2 to their 4th quarter Form 942 and file by January 31, 1975.

**C. Calendar Year Basis.**—All amounts on Forms W-2, W-2P, 1099R, and W-3P must be based on a calendar year.

VIP

**D. Identifying Numbers.**—The Service associates and verifies income payments and withheld taxes reported on information returns with corresponding amounts on tax returns, principally through taxpayer identifying numbers. To make this possible you must provide payers' and recipients' taxpayer identifying numbers on the forms, magnetic tape, or disk pack you send to the Service. If you are engaged in a trade or business, your taxpayer identifying number is the employer identification number. Sole proprietors who are payers should show their employer identification number on the returns they prepare. However, payers should use the social security number of a sole proprietor on returns for payments to him.

For information returns showing payments to more than one recipient (for example, an annuity paid jointly to two individuals), show on the first line the name of the recipient whose identifying number is on the return. If the recipient is not an individual and the name runs over the first line, continue it on the second line and, if necessary, subsequent lines.

When you have not yet succeeded in obtaining recipients' taxpayer identifying numbers, separate the returns without numbers from those with numbers.

**E. Statements to Income Recipients.**—You may give statements to income recipients on Government-printed official forms or on privately printed substitute forms. You may expand the dimensions of substitute forms from the official dimensions to allow space for additional information, such as withholding from pay for health insurance, union dues, etc. You may thus be able to eliminate statements or notices that you would otherwise furnish separately to recipients. This should be particularly beneficial if you file returns on magnetic tape or disk pack.

Substitute forms need contain only applicable payment boxes and captions and may omit other boxes found on the official form. (See paragraph F for additional requirements that apply when you file returns on paper forms with the Service or on State or local tax departments.) Substitute forms should bear the appropriate designation, such as "Form W-2," and the title shown on the official form, even when the substitute contains additional

information. These substitutes are acceptable when attached to the recipient's tax return (where instructions call for attachment of Form W-2 or W-2P to Form 1040 or 1040A) and recipients should be so advised. Furnish sufficient copies to recipients so they can attach a copy to Federal and to any State or local tax return and also keep a copy for their records.

You may obtain revenue procedures on specifications for private printing of information documents and use of substitutes, as well as additional copies of the Government-printed forms from Internal Revenue Service Centers, district offices, and many local offices.

Although you are not required in all instances to provide employees and other income recipients with statements, the Service urges you to do so since it helps the recipients prepare their income tax returns. Generally, you should provide statements to recipients after December 31, 1974, and by January 31, 1975. Moreover, you must issue the statements within 30 days after the last payment of wages, retired pay, or annuity if the recipient's employment or annuity ends before December 31, 1974. (If you deduct and withhold railroad retirement (RTTA) tax, you must also furnish recipients the information required under section 6051(e).)

**F. Returns Filed with the Service or State and Local Tax Departments.**—If you use paper forms for filing with the Service or with State or local tax departments, the returns must be on the official form or a substitute form reflecting the applicable boxes (amount fields) in the same order and sequence and with the same box identifying number and title as the official form. You must also reproduce the scanning or heavy lines on the "A" copy you file with the Service. You may include additional data elements (such as deductions for health insurance, union dues, etc.) on a substitute form in any order or sequence in the open space on the form.

If you make payments not subject to FICA tax, you may omit boxes 3, 4, and 5 on paper Forms W-2. When you enter State or local tax information, boxes 6, 7, and 8, numbered and with appropriate captions and data entries, should immediately follow box 2. Assuming you enter

(and boxes 9 through 11 are not applicable), the additional information for recipients that you may want to leave on copies "A" (IRS copy) and "I" (State or local tax copy), may follow box 8.

Although the Service does not require you to file a supporting reconciliation statement, you should reconcile the payments shown on these information returns with your books of account and Form 941, 941E, 942, or 943, to avoid unnecessary correspondence with the Service.

**G. Corrected Returns.**—Since a corrected information return completely replaces a return previously filed, it is very important to the Service and to the income recipient that you complete all required data fields and identify it as a corrected return. For returns filed on paper, enter an "X" to the right of the format indicator number (which is "1" on Government-printed forms) and center the words "CORRECTED RETURN" in upper case letters in the top 1/4 inch of the form. Also, identify statements for recipients as "corrected."

## Specific Instructions for Forms W-2, W-2P, 1099R, and W-3P

(References are to the Internal Revenue Code unless otherwise specified)

You must file information returns with the Service and provide statements to income recipients in all cases where you have withheld income or social security tax. You must also file returns and provide statements to recipients in a number of other instances (for example, as required under sections 6041, 6047, 6051, and 6052). Most payers find that even when not required, it is usually cheaper and more convenient to file return Forms W-2, W-2P, and 1099R and provide statements to recipients for all payments and the Service prefers that they do so.

The instructions below cover all lines or boxes on the official forms. If an entry is not appropriate, leave the line or box blank. Privately printed substitute forms need show only applicable items.

**A. Form W-2, Wage and Tax Statement.**—Use this form to report payments from an employer to an employee.

(Magnetic tape or disk pack filers: See the revenue procedures that apply to magnetic tape or disk pack transmittal of returns.)

1974

Enter number of documents	Place an "X" in the proper box to identify type of document being transmitted			All documents are: Place an "X" in the proper boxes. (See Instructions.)			
	Form W-2	Form W-2P	Form 1099R	Original	Corrected	With taxpayer identifying number	Without taxpayer identifying number
PAYER'S identifying number ▶							
Type or print PAYER'S name, address and ZIP code above.				YOUR COPY			

**Box 1.—Federal income tax withheld.**

**Box 2.—Wages, tips, and other compensation.** The sum of wages paid (including sick pay and non-cash remuneration), tips reported and all other compensation (amounts includible in the employee's gross income but not subject to Federal income tax-withholding). The amount in box 2 is before any payroll deductions. If you have a payroll system that makes it difficult to combine "other compensation" with wages and tips, you may avoid the problem by filing two Forms W-2, one of which shows wages and tips, and the other, "other compensation."

**Box 3.—FICA employee tax withheld.** Total if any FICA employee tax (not employer tax) withheld. If there was an adjustment in 1974 to correct the FICA taxes for a prior year, enter the amount of FICA taxes withheld from wages paid in 1974 as adjusted by any overcollection or undercollection for a prior year.

**Box 4.—Total FICA wages.** Total wages paid and tips reported (before payroll deductions) subject to FICA. Non-cash remuneration is considered wages. You need not make a FICA wage entry if (1) FICA wages equal the amount shown in box 2, or (2) FICA wages are the maximum subject to FICA tax, and total wages for income tax withholding purposes exceed that maximum.

**Box 5.—Uncollected employee FICA tax on tips.** See Circular E for instructions.

**State or Local Tax Information.—**The 6 part Form W-2 contains boxes for marital status and employer's State identification number and boxes 6 through 11 for reporting State and local tax information. Though the Internal Revenue Service does not require this information, you may include these amounts on Copy A filed with the Service if you find it convenient. This will often be the case when you use copies of returns prepared on IRS forms for your State returns or as recipients' statements.

**Other Information.—**The first two boxes were added because of pending pension reform legislation. If pension legislation is enacted for 1974, you will be furnished information on the completion of these boxes.

**Cost of Group-Term Life Insurance Included in Box 2.—**If you provide group-

term life insurance coverage in excess of \$50,000 for your employees, enter the portion of premiums attributable to the excess in this box.

**Excludable Sick Pay Included in Box 2.—**You are not required to make entries in this box. However, if you do, your employee may use Form W-2 instead of Form 2440 (or other statement) to support his sick pay exclusion when filing his income tax return. You should only make entries if your records—

(1) Separately show the amount of each wage continuation payment and excludable portion thereof, and

(2) Contain data to substantiate the employee's right to exclude such amount by a written statement from the employee specifying whether absence from work during the period for which payment was made was due to sickness or personal injury, and if due to personal injury whether he was hospitalized for at least one day. You may also rely on other information which you believe will establish the employee's right to exclude payments.

You must also assume responsibility for assuring entries made are based on required records and information.

**B. Form W-2P, Statement for Recipients of Annuities, Pensions, or Retired Pay.—**Use this form to report periodic retirement plan distributions (for example, retired or retainer pay, or annuities and pensions) as well as annuities paid under commercial, individually purchased contracts. However, report periodic distributions subject to social security (FICA) tax withholding on Form W-2, Wage and Tax Statement. Retired pay (for example, payments to retired military personnel and certain judiciary officials) formerly reportable on Form W-2, is now reportable on Form W-2P.

Form W-2P is not required for (a) retirement benefits exempt under the tax law (for example, social security, most railroad retirement and Veterans Administration payments), (b) distributions effected by a fiduciary filing on Form 1041 and providing Schedule K-1 (Form 1041) to beneficiaries, or (c) lump-sum payments reportable on Form 1099R.

**Box 1.—Federal income tax withheld.**

**Box 2.—Gross amount of annuity, pension, or retired pay.** Total amount paid before income tax or other payroll deduc-

tions are withheld, without regard to any exclusion from gross income allowable under the tax law. (For disability retirees, see instructions applicable to boxes 4 and 5 below.)

**Box 3.—Taxable amount of annuity, pension, or retired pay.** This is the amount includible in the recipient's adjusted gross income. It will often be the same figure as that shown in the "Gross amount" box. There may be some years (for example, when annuities are subject to the 3-year or other cost recovery rule) in which no part of the payments is taxable. If you cannot provide the taxable amount because you do not know all the facts necessary to compute it (for example, the section 101(b) death benefit exclusion, when applicable to a survivor-beneficiary's annuity, taxable under section 72), you may report only the gross amount and leave the taxable amount box blank. However, the Service encourages you to provide the taxable amount whenever possible to help your recipients report income on their tax returns correctly.

**Boxes 4 and 5.—Disability retirees under retirement age.** Report in box 4 the gross amount of payments you made to disability retirees before they reach retirement age and to which the sick pay exclusion of section 105(d) may be applied. Report excludable sick pay in box 5. Generally, if there are entries in these boxes, no amounts will appear in boxes 2 or 3. However, in the year in which a disability retiree reaches retirement age, there will be amounts reportable in boxes 2 and 3, as well as in boxes 4 and 5. In that year he will receive payments before his retirement date (birthday), that are taxable as wages and salaries subject to sick pay exclusion, while payments received on or after that date are taxable under the annuity rules of section 72.

**State or Local Tax Information.—**Boxes 6, 7, and 8, and the box for payer's State identifying number appear on the official form for reporting State and local tax information. (Several States now provide for voluntary tax withholding on annuities, paralleling Federal law.) Though the Service does not require this information, you may include those amounts on Copies "A" filed with the Service if you find it convenient. This will often be the case if you use copies of returns prepared

(Continued on page 4)



**C. Form 1099R, Statement for Recipients of Lump-Sum Distributions from Profit-Sharing and Retirement Plans.**—In addition to using this form for lump-sum distributions from profit-sharing and retirement plans, also use it to report lump-sum payments of matured or redeemed annuity, endowment, and life insurance contracts. Do not use it for periodic payments (whether paid under a profit-sharing or retirement plan or under an optional settlement made by a life insurance company). The form does not apply to payments subject to income or social security (FICA) tax withholding. (See instructions above, on use of Form W-2P and Form W-2.) Employers who complete (or whose trustees or payers complete) all applicable boxes of Form 1099R, will satisfy the employee communication requirements of Proposed Regulations 1.402(a)-2(f).

**Box 1.**—Amounts includible as income. Enter the total of amounts in boxes 2, 3, and 4, but do not include excludable or tax-deferred amounts reportable in boxes 5 through 7.

**Box 2.**—Capital gain (for total distributions only); and **Box 3.**—Ordinary income. See proposed Regulations 1.402(a)-2 and 1.403(a)-2 for information on determining the capital gain and ordinary income elements of a total distribution. You must check the applicable box in "This is, or is not, a total distribution." If the distribution is not a total distribution, no part of it can qualify for capital gain treatment.

For survivor beneficiaries of deceased employees, the amounts in boxes 2 and 3 should be without regard to the survivor's death benefit exclusion under Code section 101(b). You are encouraged to provide recipients with information, if you do not actually furnish the computation, on how they may compute and allocate the exclusion between capital gain and ordinary income elements. (Proposed Reg. 1.402(a)-2 and IRS Publication 575 provide helpful information on computing and allocating the exclusion.)

**Box 4.**—Premiums paid by a trust for current life insurance protection. See Regulation 1.72-16(b), and Revenue Ruling 55-747 and 66-110 for information on the cost of premiums, paid by an employee's trust under a qualified plan for current life insurance protection, taxable to plan participants or their beneficiaries.

**Box 5.**—Employee contributions. Enter the amount of employee contributions which is tax-excludable upon the payment of a distribution. This is the amount (a) actually contributed by the employee over the years under the retirement or profit-sharing plan, plus (b) any employer-contributed amounts considered to have been contributed by the employee under section 72(f), and (c) the accumulated cost of premiums paid for life insurance protection, taxable to the employee in previous years and in the current year (box 4) under Regulation 1.72-16.

**Box 6.**—Life insurance element. This applies to proceeds of life insurance and annuity contracts purchased under a qualified pension, annuity, or profit-sharing plan, to the extent excludable under section 101(a). See Regulation 1.72-16(c).

**Box 7.**—Net unrealized appreciation in employer securities. See Regulations 1.402(a)-1(b) for determination of the net unrealized appreciation. Use this box if a distribution includes securities of the employer corporation (or a subsidiary or parent corporation) and you can compute the net unrealized appreciation in the employer's securities.

**Box 8.**—Other. This space is for payers whose distribution includes items not covered by the above and who want to provide that information to employees or beneficiaries. (For example, the value of U.S. Retirement Bonds or annuity contracts that you may distribute to employees or beneficiaries when there are no current tax consequences).

**D. Form W-3P, Annual Report by Certain Payers of Annuities and Lump-Sum Distributions.**—This form should be used only by government agencies or retirement systems, and insurance companies. File Form W-3P with Form W-3.

**Line 1.**—Gross amount of payments reported on Forms W-2P. This should equal the total of the amounts shown in box 2 of all Forms W-2P that you file.

**Line 2.**—Gross amount of distributions reported on Forms 1099R. This should equal the total of the amounts shown in box 1 of all Forms 1099R that you file.

**Line 3.**—Book value of assets (or pension plan reserves in the fund). The Service prefers this total to be for the calendar year ended December 31, 1974, but if your fiscal year ends on some other date, report the book value as of the end of your fiscal year ending within calendar year 1974.